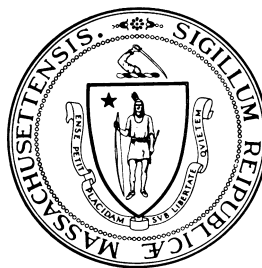


Massachusetts Division of Health Care Finance and Policy

Uncompensated Care Pool PFY05 Utilization Report

December 6, 2005



Mitt Romney, Governor
Commonwealth of Massachusetts

Timothy Murphy, Secretary
Executive Office of Health and Human Services

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Uncompensated Care Pool PFY05 Utilization Report

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Introduction

gram upon the date of service rather than charging said individuals to the Uncompensated Care Pool; provided further that the division shall include in the report possible disincentives the state could provide to hospitals to discourage such behavior..."

A Word About the Data

Statutory Mandate

Chapter 45 of the Acts of 2005, lines 4100-0060, included the following provision to which this report responds.

"...provided further, that the division shall submit to the house and senate committees on ways and means not later than December 6, 2005 a report detailing utilization of the Uncompensated Care Pool; provided further, that the report shall include:

- 1) the number of persons in the Commonwealth whose medical expenses were billed to the Pool in Fiscal Year 2005;
- 2) the total dollar amount billed to the Pool in Fiscal Year 2005;
- 3) the demographics of the population using the Pool, and;
- 4) the types of services paid for out of the Pool funds in Fiscal Year 2005;

provided further, that the division shall include in the report an analysis on hospitals' responsiveness to enrolling eligible individuals into the MassHealth pro-

This is the fourth annual utilization report submitted by the Division of Health Care Finance and Policy (DHCFP) on the Uncompensated Care Pool (the Pool), and covers Pool Fiscal Year 2005 (PFY05).¹ As required by statute, this report provides information on the number of individuals using the Pool, the total dollar amount billed to the Pool, the demographics of Pool users, and the types of services paid for by Pool funds during PFY05.

The data used for this report include eligibility and demographic data on individuals applying for uncompensated care, and claims data on the clinical services paid for by the Pool. Eligibility data are collected by DHCFP's electronic application software, and claims data are submitted in UB-92 claims format by each provider. Consistency and validity of the data are ensured through a series of quality edits applied to the data. In addition, uncompensated care claims are matched to their corresponding uncompensated care application in order to verify the legitimacy of the claim. DHCFP also takes special steps to ensure that it can identify an unduplicated number of Pool users by using sophisticated algorithms and matching patient identities across providers. Fur-

¹ The 2005 Pool Fiscal Year (PFY05) runs from October 1, 2004 through September 30, 2005. Any claims billed to the Pool during that time, or uncompensated care applications used to determine an individual's eligibility during those months, are considered to be PFY05 data.

ther information on the data is provided in the Appendix.

Because of data submission deadlines, the claims and eligibility database used for this report contains data for only the first

ten months of the Pool year (October 1, 2004 through July 31, 2005). When appropriate, values for the full year have been extrapolated from the data and are noted in the report.

Utilization

Uncompensated Care Pool payments are limited to the amount of funding that is available in each Pool fiscal year.

Pool User Demographics

The eligibility and clinical services databases provide information about the characteristics of the individuals who relied on the Pool to cover the costs of their health care needs during PFY05. As the data on the following pages indicate, the majority of Pool users were single, childless adults ages 19 to 64, with very low incomes.

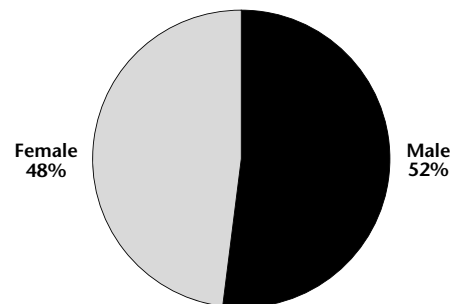
Number of Individuals Served by the Pool²

In PFY05, medical expenses for an estimated 478,146 individuals were billed to the Uncompensated Care Pool. Sixty-nine percent (69%) of these services were submitted to the Pool by hospitals as regular uncompensated care claims. Hospital emergency bad debt (ERBD) claims represented another 9% of Pool volume in PFY05. Services provided by freestanding community health centers represented another 22% of service volume.^{3,4}

Total Amount Billed to the Pool

In PFY05, the Division of Health Care Finance and Policy projects \$705.4 million^{5,6} in allowable uncompensated costs to be billed by hospitals to the Uncompensated Care Pool. Community Health Centers (CHCs) are projected to bill for \$37.4 million in payments during PFY05.

Figure 1: Percent of Total Charges to the Pool by Gender, PFY05



Slightly more than half of the charges to the Pool were for male users.

² The number of individuals is extrapolated from 10 months of data; the percentage distribution contained here is the actual distribution for the 10 months of PFY05 that were available.

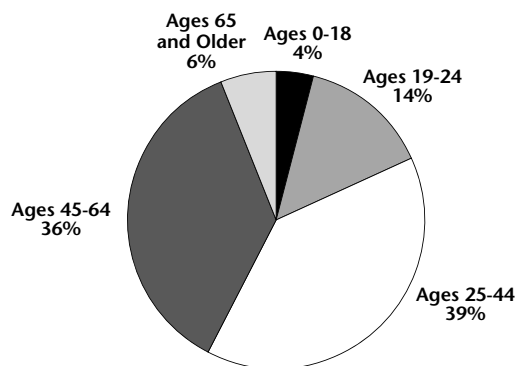
³ Figures reported in this section are the result of a method that is designed to produce unduplicated counts from the data submitted by providers. In order to avoid double counting among types of claims (e.g., ERBD, inpatient, etc.), users were assigned to the category of the most recent claim submitted for services used by that patient.

⁴ Caution should be taken when comparing this Pool user count with a count of the number of uninsured individuals in the Commonwealth based on survey results. The Commonwealth's survey, like most surveys of the uninsured, asked whether an individual was uninsured on a particular date, rather than whether the individual had been uninsured at any point during a one-year period.

⁵ This estimate uses 12 months of unaudited data. For the actual amounts from the 10 months, see Figure 6. The \$705.4 million in hospital allowable uncompensated care costs represents \$1.49 billion in estimated uncompensated care charges. Costs are subject to audit and final settlement.

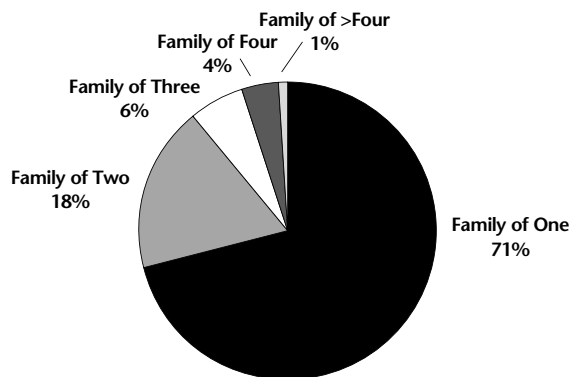
⁶ Charges to the Pool include charges for both uncompensated care and emergency bad debt (ERBD). The charges are net of payments made by other payers, or other third party liability recoveries. The Pool is always the payer of last resort.

Figure 2: Percent of Total Charges to the Pool by Age Group, PFY05



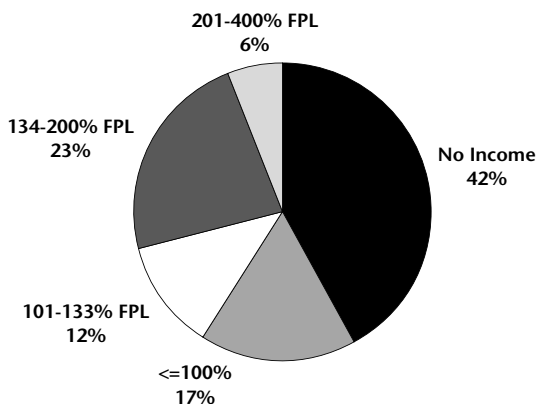
The greatest share of charges to the Pool was for young adults ages 25 to 44. Eighty-nine percent (89%) of charges were for the entire non-elderly adult population ages 19 to 64. Males ages 25 to 44 generated the largest share of charges (20%).

Figure 4: Percent of Total Charges to the Pool by Family Size, PFY05



Seventy-one percent (71%) of charges to the Pool were generated by single individuals and an additional 18% were generated by two-person families, comprised of two adults or an adult and child. Combined, one- and two-person families generated 89% of charges to the Pool. These percentages reflect claims that are matched to a uncompensated care application, and therefore excludes ER bad debt claims (for which there are no applications).

Figure 3: Percent of Total Charges to the Pool by Reported Family Income, PFY05



Seventy-one percent (71%) of charges to the Pool were for individuals who reported a family income of less than 133% FPL. This reflects an income of less than \$12,728 per year for an individual. These percentages reflect claims that are matched to a uncompensated care application, and therefore excludes ER bad debt claims (for which there are no applications).

Services Paid for by the Pool

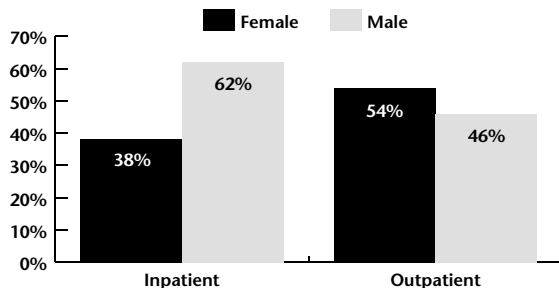
Figure 5: Claim Count and Charges to the Pool by Type of Claim, PFY05 (October 2004 – July 2005)

	Service Volume	Percent	Total Charges to the Pool (excluding CHCs)	Percent
Total Admissions/ Visits	1,652,764	100%	\$1,110,604,633	100%
Total Inpatient Admission	32,577	2%	\$412,401,354	37%
Total Hospital Outpatient Visits	1,270,706	77%	\$698,203,279	63%
Total CHC Visits	349,481	21%	na	na
Total ERBD Claims	155,200	9%	\$168,964,569	15%
Total Regular UCP Claims	1,497,564	91%	\$941,640,063	85%
Total Outpatient Visits	1,620,187	100%	\$698,203,279	100%
Outpatient Pharmacy	321,867	20%	\$91,918,986	13%
Outpatient ED Visits	256,468	16%	\$245,723,673	35%
Outpatient Clinic Visits	339,026	21%	\$124,205,658	18%
Outpatient Ambulatory Surgery Visits	16,357	1%	\$55,963,579	8%
Other Outpatient Visits	336,988	21%	\$180,391,383	26%
Free-standing CHC Visits	349,481	22%	na	na

This table summarizes the PFY05 patient-level clinical services data currently available in the DHCFP database (i.e., the first 10 months of PFY05). These data, submitted to DHCFP in a UB-92 claim format, represent approximately 92% of all allowable uncompensated care charges billed to the Pool by hospitals on their monthly forms.

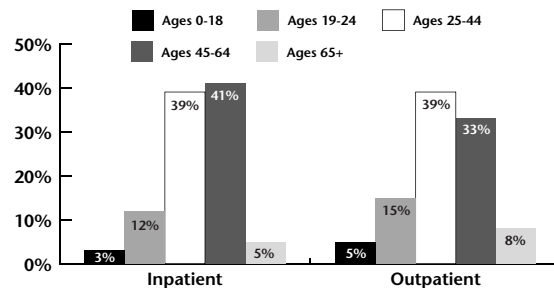
Although only 2% of claims submitted to the Pool were for inpatient services, charges for these services represented 37% of the total charges to the Pool. Claims for emergency bad debt (ERBD) represented 9% of all Pool claims and 15% of total charges to the Pool. This measure equals one inpatient admission or one outpatient visit.

Figure 6: Percent of Charges to the Pool by Type of Claim and Gender, PFY05



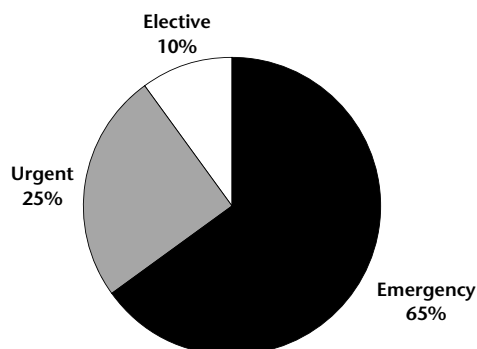
Services for males generated a significantly larger proportion of inpatient charges, while services for females represented slightly more of the outpatient charges.

Figure 7: Percent of Charges to the Pool by Type of Claim and Patient Age, PFY05



Pool users ages 25 to 64 represented the majority of both inpatient and outpatient charges to the Pool.

Figure 8: Percent of Inpatient Admissions by Admission Type, PFY05



Almost two-thirds (65%) of uncompensated care inpatients are admitted as emergencies, a quarter (25%) for urgent care, and a smaller share (10%) for elective procedures. It is important to note that “elective” indicates that the service was scheduled ahead of time; it does not indicate that the service was not medically necessary. For example, most surgeries to remove cancerous tumors are scheduled, and thus characterized as elective procedures. Admission type excludes patients with pregnancy-related diagnoses (MDC 14 and 15).

Figure 9: Inpatient Major Diagnostic Category⁷ for Uncompensated Care Patients, PFY05 (percent of total charges)

Pool Rank	MDC	Percent
1	Circulatory Diseases and Disorders	14%
2	Digestive Diseases and Disorders	11%
3	Mental Diseases and Disorders	10%
4	Respiratory Diseases and Disorders	9%
5	Alcohol/Drug Use and Induced Organic Mental Disorders	9%
6	Musculoskeletal Diseases and Disorders	6%
7	Nervous System Diseases and Disorders	6%
8	Hepatobiliary Diseases and Disorders	4%
9	Pregnancy, Childbirth, and Puerperium	4%
10	Skin Diseases and Disorders	4%
Total for Top Ten MDCs		77%

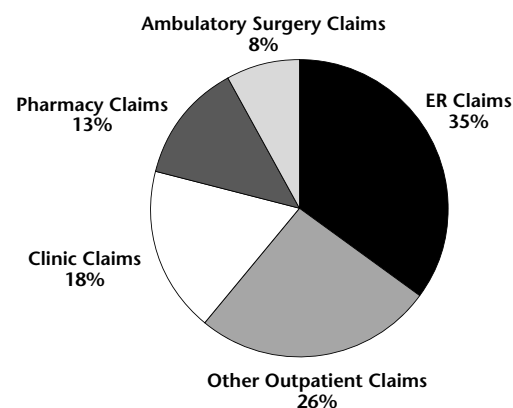
Discharges for circulatory diagnoses represented the largest share of inpatient charges for Pool patients. Taken together, discharges with a primary diagnosis of mental health or alcohol/drug use related mental disorders represented the most common type of discharges (19%).

Figure 10: Characteristics of the Inpatient Uncompensated Care Population, PFY03 to PFY05

	PFY03	PFY04	PFY05
Case Mix Index	1.68	1.73	1.81
Average Length of Stay (days)	5.63	7.61	5.62

The case mix index represents the amount of resources required to treat a given population. It is implied that the level of resources a patient requires is an approximation of their acuity level (i.e., level of illness). A case mix index of 1.00 suggests a given patient uses an average amount of resources, while a case mix of 2.00 implies a patient requires double the amount of resources. According to this table, uncompensated care patients used more resources, on average, each year compared with the previous year. The average length of stay (ALOS) decreased between PFY04 and PFY05, and is similar to the PFY03 ALOS. This case mix index data excludes mental health and substance abuse Major Diagnostic Categories.

Figure 11: Percent of Charges to the Pool by Outpatient Service Type, PFY05



The largest proportion of outpatient charges to the Pool was for ER services (35%). Another 18% of outpatient charges were for clinic services. “Other outpatient claims” include charges for ancillary services that may have been provided in conjunction with an emergency, ambulatory surgery, or clinic visit, but were billed separately. Outpatient pharmacy claims are claims with charges for pharmacy only. Pharmacy charges that occur with other services would be included in one of the other categories.

⁷ Inpatient diagnoses are classified into one of twenty-five major diagnostic categories (MDC). Discharges are grouped into MDCs using 3M's All Patient DRG Grouper, version 12.

Hospital Responsiveness to Enrolling Patients in MassHealth

Section 355 of the Acts of 2004 requires the Division to screen all UCP applicants for MassHealth eligibility prior to making any UCP determination. Coupled with this initiative has been the introduction and deployment of the Virtual Gateway, a single application tool for MassHealth and UCP determinations. Since October 1, 2004, all UCP applications processed through the MassHealth application system have been screened first for MassHealth eligibility before a UCP determination is made.

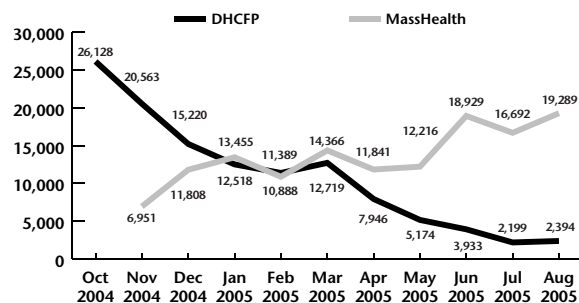
Beginning in January 2005, the majority of monthly UCP determinations have been completed using the MassHealth application process. As anticipated, the transition to the Virtual Gateway application system has resulted in a significant reduction in UCP applications submitted to the Division; these applications have declined 91% between October 2004 and August 2005, an average decline of 19% per month. MassHealth UCP determinations have increased by an average of 14% per month during this period (see Figure 12).

The Division continues to receive applications for the age 65 and over population, applications for a small number of confidential applicants, and Medical Hardship applications. In August 2005, the

Virtual Gateway application was updated, enabling providers to complete applications for the age 65 and over population via this tool. Once providers are trained with this new tool, UCP applications for this population will be completed using the MassHealth application process.

The Virtual Gateway system has proven to be an effective method of determining MassHealth and UCP eligibility for the uninsured residents of Massachusetts. It has simplified the determination process through the use of a single application for both MassHealth and UCP eligibility. The successful transition of hospital and CHC providers onto the Virtual Gateway has effectively eliminated the possibility of patients having services charged to the UCP without first being screened for MassHealth eligibility.

Figure 12: Volume of UCP Determinations Processed Each Month by MassHealth and DHCFP, PFY05



MassHealth data were unavailable for October 2004.

Appendix: Data Notes

Data used in this analysis were drawn from the following sources:

Monthly Reports from Hospitals and Community Health Centers (CHCs)

Each month, hospitals and CHCs report their uncompensated care charges to the Division of Health Care Finance and Policy. Hospitals use the UC form and CHCs use the CHC payment form. The UC form is an aggregation of monthly hospital charges, the CHC payment form details monthly visit activity for CHCs as well as certain charge activity. The UC forms are matched to each hospital's submitted UCP claims collected in the DHCFP claims database.

Pool Claims Database

Hospitals and CHCs began electronic submission of data elements in UB-92 claims format to the Division of Health Care Finance and Policy in March 2001. During PFY03, the Division began penalizing hospitals that submitted incomplete data. As a result, compliance with data submission requirements has improved dramatically. Although variability exists among providers, the charges to the Pool reported in the claims database equal approximately 90% of the charges reported by hospitals in their monthly statements

submitted to the Division for payment purposes.

Pool Applications Database

Hospitals and CHCs began submitting electronic UCP application forms to the Division in October 2000. Note that the application contains data as reported by the applicant, with documentation required from the applicant to verify income and residency.

Matched Pool Applications and Claims Database

To the extent possible, the Division matches UCP claims to the corresponding UCP application. Matching is based on the applicant's social security number or tax identification number when available. Additional matching uses an algorithm based on other available data such as phonetic last name, phonetic first name, date of birth, provider, etc. Since there are no applications associated with emergency bad debt (ERBD) claims, ERBD claims data are excluded from the match.

In PFY05 (data through July), approximately 79% of UCP claims were matched to applications. In PFY04, this percentage was 91%. This decrease is largely due to the transition to the MassHealth application system; the Division's matching algorithm measures UCP claims that match to electronic applications submitted to the Division only. The Division is currently integrating data from the MassHealth application system into its claims database. Once this integration is complete, UCP claims will be matched against both application datasets to ensure the most accurate matching process. A preliminary analysis that matches to this integrated dataset shows that 93% of UCP

claims are matched to applications using this enhanced algorithm.

A certain small percentage of claims remains unmatched because of timing

issues (e.g., applications submitted after a UCP claim has been written off), or because of inconsistencies in personal identifiers that hinder matching.

Production Notes

U*ncompensated Care Pool PFY05 Utilization Report* was researched and produced by the Massachusetts Division of Health Care Finance and Policy. The Division is solely responsible for its content and distribution. Publication design, edit-

ing, page layout and the originals for this document were produced in-house using cost-effective, electronic desktop publishing software and microcomputer equipment. This report was prepared for general distribution at the Division.

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Publication of this document approved by Ellen Bickelman, State Purchasing Agent
Publication Number: C.R. 1104
Printed on recycled paper.

